



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT



ARNOLD
SCHWARZENEGGER
GOVERNOR

For Meeting Date: September 11, 2008

Agenda Item No. 7: Approval of Adjusted Financial Assurance Cost Estimate for the Parks Bar Quarry (CA Mine ID #91-58-0013), Nordic Industries, Inc. (Operator), Mr. Jens Karlshoej (Agent), Yuba County.

INTRODUCTION: The State Mining and Geology Board (SMGB) is the lead agency for the County of Yuba, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. The



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operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval.”

In addition, PRC Section 2773.1(a) states:

“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:

(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, states:

“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

(b) The calculated amount should not include the cost of completing mining of the site.

(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”

BACKGROUND: The Parks Bar Quarry is an active aggregate mining operation. The overall topography is characterized by gently rolling hills. The westerly flowing Yuba River borders the site to the south, and the entrance to the site is via Highway 20. The site includes a scale house, quarry and product stockpile areas, above ground fuel tank, and boneyard. The original quarry pit extended along a north-south oriented ridge, and is



characterized as a U-shaped quarry that opens to the south. Overburden is placed on the east and west ridges of pit area. The site is underlain by metavolcanics, notably pillow basalts, of inferred Jurassic-Triassic age. A thin veneer of reddish silty clay topsoil and decomposed rock overlies bedrock in the area. Material extraction is planned to proceed toward the north.

During conduct of an inspection performed in August 2007, no violations were noted. One corrective measure was noted at time of inspection; however, and due to the development of tension cracks observed in overburden placed along the east rim of the quarry, overall stability of materials placed in this area needed to be inspected and assessed by a Professional Geologist, Certified Engineering Geologist, or licensed engineer.

The existing financial assurance in the form of a Surety Bond is in the amount of \$435,261, and was posted on January 13, 2004. The financial assurance, as a result of the August 2007 mine inspection, was adjusted to reflect current site conditions, and current labor, equipment, and fuel rates.

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

| | | |
|---|--|---------------------|
| I. | Primary Reclamation Activities | \$256,106.00 |
| II. | Revegetation | \$96,233.00 |
| III. | Plant Structures and Equipment Removal | \$23,536.00 |
| IV. | Miscellaneous Costs | \$15,745 |
| V. | Monitoring | Refer to IV above |
| Total Direct Cost | | \$391,620.00 |
| VI. | Supervision/Overhead/Contingencies | |
| a. | Supervision (7%) | \$19,581.00 |
| b. | Profit/Overhead (14%) | \$40,141.00 |
| c. | Contingencies | \$39,162.00 |
| d. | Mobilization | \$9,791.00 |
| Total Indirect Cost | | \$108,675.00 |
| Lead Agency administrative cost (15%) | | \$75,044.00 |
| <hr/> Total Estimated Cost for Reclamation | | \$575,339.00 |



CONSIDERATION BEFORE THE SMGB: The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without additions;
- [or]
2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;
- [or]
3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

EXECUTIVE OFFICER'S RECOMMENDATION: The adjusted financial assurance cost estimate has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB staff has reviewed the adjusted FACE, and considers it adequate to reclaim the site in accordance with the approved reclamation plan. The Office of Mine Reclamation (OMR) has reviewed the adjusted FACE and concurred that the amount is adequate via memorandum dated August 22, 2008. The Executive Officer recommends that the SMGB approve the adjusted FACE.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$575,339.00 for the Parks Bar Quarry, CA Mine ID #91-58-0013, located in Yuba County, as being adequate to reclaim the site in accordance with the approved reclamation plan, and meeting the minimum requirements of SMARA and SMGB's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer